

# An American dream

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*Abstract: This study deals with the analyze of manufacturing process of a food packaging material multinational producer company. The case study analyzes the human resources as one of the most important manufacturing management resources in our era. The goal of study is to identify the problems and the potential solutions that lead to a 25% improvement in the company's production performance within a year. The basis of the study lays on the answers given by the company's employees from the manufacturing area provided within the framework of the primary research as well as on the results of the literature research related to this topic. The research identifies the obstacles which stand on the way of the company's performance improvement. It also identifies the essential elements necessary and required for manufacturing and for performance enhancement. The study analyzes from our era perspective the opportunities which are pointing forward, looking into the future and into new approaches. Therefore the study can be thought-provoking and have developing effect on other manufacturing companies too.*

*Keywords: human resource value of production, human capital, knowledge-based economy, social capital, organizational capital, knowledge management, knowledge-building environment.*

## 1 Introduction

The case study covers the analysis of the production management process of an American multinational food packaging company. In my research, the company's production process as well as the production management functions are investigated to identify the problems and find solutions that will lead to a 25% improvement in company production performance within a year. The research is based on a literature-based primary survey with the employees in the production area. After the introduction, the case study is followed by the literature research, focusing on the resources of production management, especially on human resources. In my study I justify the new approaches of human resource management with multiple literature sources and I highlight the human resource's key role in the production management. With the help of literature, I also present new approaches in the field of management. I continue my study with a

presentation of the problems where I provide details about the company's production management process along with the discovered discrepancies. I continue my case study with the proposals and conclusions, where I reflect on some obstacles in the way of company's performance improvement and where I make several suggestions which I believe would enable the company to expel from its current situation and deliver improvement.

## **2 Innovative production management**

The entrepreneur regards the changes as natural and necessary, and usually the entrepreneur does not bring the change, but always looks for it, responds to it, and exploits it as an opportunity. According to Ducker, this defines the entrepreneur and the entrepreneurial spirit. Searching the change, recognizing it, responding to change, and taking advantage of the change is an indispensable feature in an enterprise. Entrepreneurial activity is typically considered to be extremely risky, which can be risky for success, but does not necessarily have to be that risky. Entrepreneurial activity is risky because there are few commonly named entrepreneurs who know what they are doing, they lack methodologists and violate elementary and acknowledged rules [1].

### **2.1 Production resources**

There are three main things necessary to build an enterprise: creating the capital needed to start a business, creating the financial resources needed to operate and producing and selling the product or the service. The production of a product or a service is the task of production management which mainly means managing the system of converting input resources into products or services. Production management aim is to increase the efficiency of the manufacturing process. Several emerged theories identified that the efficiency of the production process is also influenced by the quantity produced. Various variables need to be taken into account in the manufacturing process for each type of production, such as technical preparation for manufacturing, materials, manufacturing operations, machinery and equipment, plant layout, human labor, management and manufacturing costs [2]. One of the variables of the production process is the human labor. The means of production is the knowledge that the workers own and carry with themselves, workers with special knowledge are crucial for successful organizations. Those with knowledge are providing capital as much as those who provide money. They are therefore equal and depend on each other [3]. 60 years ago the term staff was translated into human resources and today we are talking about human capital management. This is a recognition that people are the cornerstones of the organization as we enter the era of intelligence. The biggest

challenge for the enterprises is the shift from the industrial economy to the knowledge-based economy. The knowledge, skills and attitudes of the workforce distinguish successful companies [4]. Nowadays most companies try to suit their structures, organizations, and styles to their employees [5]. A person ability and willingness to share knowledge creates a value potential. Human capital is therefore a combination of employee skills, motivation and commitment. Human capital is a catalyst that activates intellectual capital forms which improves efficiency [6].

## **2.2 Production management human resource's value**

The management of human capital was called paradigm shift from the traditional staff management approach. Human capital management deals with the acquisition, analysis and reporting of data, which point to the value, added of human capital management to strategic investments and to operational decisions in an enterprise. The main scope of human capital management is to manage human capital and to emphasize that competitive advantage and strategic development can be achieved. Managing human capital by involving and retaining employees through talent management, learning and development programs. Human capital management is an opportunity to gain competitive advantage and the success of the organization is the result of people's competence. Human capital is the sum of accumulated knowledge, skills, experience, creativity and other relevant work attributes. Human capital management aims to create value through people. Competitive advantage comes from the company's specific and valuable human resources, which is difficult to imitate. Individuals possess, use and create knowledge and skills (human capital), creating intellectual capital. Knowledge is a direct competitive advantage for enterprises. The explicit knowledge can be encoded, recorded and stored. The tacit knowledge exists in people's mind by personal experience gaining and is hard to record in written form. Transforming tacit knowledge into explicit knowledge is the biggest challenge in knowledge management. The competitive advantages of the organization lies in organizational knowledge and not on how is positioning itself on the market. The ability of the organization to gather and effectively use knowledge will be a major source of many competitive advantages in the coming years. A successful company is a knowledge-producing company [7]. The environment is changing and in many ways, in an unprecedented way. The change is constant and fast. What can management do to prepare for change? What kind of changes are there in front of us? What other management paradigms can still emerge? The knowledge is the most important resource of society and knowledgeable workers as the dominant group of the labor market. The new knowledge-based society relies heavily on knowledge workers. That is why we can say that knowledge workers are new capitalists. Knowledge becomes the key resource and the only scarce source. This means that the workers possess the production tools. The new

knowledge-based society is the first human society where there is no limit to the potential of upward mobility. Knowledge differs from all other sources of production resources because it is not inheritable and cannot be given into legacy [8]. Acquiring and possessing knowledge is especially valuable for companies which are producing specific and unique products or services. The repetition of the process steps required to produce a product leads to reduction of time spent on performing the process steps and thus results in an increase of product amount produced during a given time unit. The learning curve is an indicator for measuring the repeated workflow step performance. The indicator takes into account the unit's production time, the number of units per unit time, the unit cost of production and the percentage of inadequate units. A shorter time spent for a good quality product is more productive for a company. Human resources with good process knowledge increase the efficiency of the company [9]. Similarly to the learning curve, learning by doing theory shows that the workflow step is a catalyst for gaining production experience. The result of experience gaining is productivity and human capital increase [10]. An adequate response to production workflows depends on the experience and practice of human resources. Not all workflows can be clearly defined, there are processes which can and cannot be encoded. The uncodeable processes cannot respond to the environmental changes. In such cases, only human labor is able to intervene and conduct the process, therefore these are human-conducted processes [11].

### **2.3 The management of production human resources**

Based on concepts management deals with business, with organizational structure and with the management of people. Furthermore, the basic of management practice, is the technology, the market and the particular customer. New paradigms override these concepts. According to the new approach, management is a unique and distinctive body of the organization. Management is not just managing people; it is leading their strengths and knowledge to make them more productive. In the new approach neither the technology nor the customer can be an adequate basis for the management strategy. The management must start with strategy based on customer value and customer decision. [12]. Good management recognizes that leading is about when and in which direction. The timing is often the key between success and failure. Wrong decision at the wrong time leads to disaster. A good decision at the wrong time creates resistance. Good decision at the right time is a success. Good leaders have a good timing capability. When the good leader and the right timing match, incredible things happen in the organization. Then the organization achieves its goals, gains its incredible rewards and gains momentum [13]. It is most likely that management can be the most important innovation of our time. Management is a special organ of the organization. The management keeps the organization up and running. Management represents status and position as well as social status, power,

discipline and development. Management is a task, management is a discipline and management means people, human beings. Management enables people for performance, management makes their strengths effective and to make their weaknesses irrelevant. An organization consists of people with different skills and knowledge who are doing a lot of work. All members must think what they want to achieve and make sure that everyone knows and understands the goals. In itself, neither the delivered quantity nor the financial results are adequately reflecting the performance of the management and the organization. Market situation, innovation, productivity, people's development, quality and financial results are vital to the organization's performance. However the only most important thing about an organization is that the results exist only from the outside. The result of the organization is a satisfied customer. Within the organization, there are only costs. All the managers who understand this and lead accordingly will be successful managers [14].

## **2.4 Innovative production management**

Innovation is a performance indicator of the organization. We can define innovation as an idea, a notion, a practice or an object that an individual views as new or perceives it otherwise. The perceived novelty of the idea determines how the person responds to it. If the idea seems new to the individual, that is an innovation. Innovation does not only cover the functionality of products and processes which is called "hard" innovation, but also the perceived attractiveness and aesthetics of products and processes which is called "soft" innovation. Therefore innovation can be the presentation of an existing idea or approach when it is perceived as novelty. New ideas or new approaches to existing problems or the recognition of new opportunities using new approaches is an innovation. So innovation is the idea of solving a given problem and achieving results [15]. The productivity and growth of countries depends rather on the renewal of human resources and production factors, on the ability to create new knowledge than on the abundance or lack of natural resources. It is most likely that out of all productive assets which determine economic growth intangible assets and intellectual property are increasing [16].

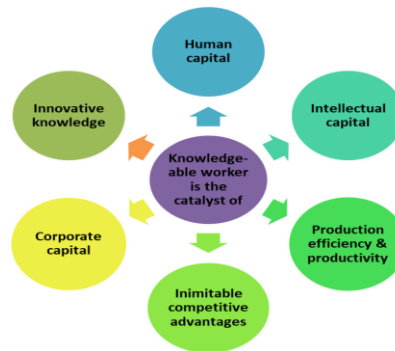


Figure 1 The value of knowledgeable worker

Source: Own editing

### 3 The stating of the problem

At the end of the 50's, two engineers were working on the production of a wallpaper when they accidentally invented the bubble wrap. The enterprising engineers realized its potential and reacted to it. This entrepreneurial spirit defined the beginning of the company, the beginning of an American dream. Today the company is built up of three main divisions. Among thousands of employees across the world today 600 scientists and engineers work for the company. The company has 49 laboratories, 94 manufacturing facilities, 3 international innovation centers and owns 2600 patents and 4200 trademarks. One of the manufacturing sites is located in Hungary and has been a part of this fantastic dream for nearly 10 years. In recent years, however, something has happened and the company does not and cannot achieve the expected production performance and operates with half of its capacity.<sup>13</sup> The Hungarian company is one of the largest finished goods producer of the mother company in Europe and plays a significant strategic role in the company's European and Global organization. A few years ago the mother company made impressive investments in increasing the number of technologies as well as invested in the modernization of technologies in the Hungarian factory to meet the market demands.

<sup>13</sup> The manufacturing ability drastically decreased and the production volumes are transferred to other sister sites. The volume produced at low capacity level does not meet the expected quality. The internal production scrap both in value and quantity had seriously increased. The timely production has reached a very low level.

### **3.1 The scope of my study**

The purpose of my study is to investigate the company's production process and its production management capabilities to identify the problems and find potential solutions that improve the company's production performance by 25% within one year. The company's production process and process management investigation and the solutions identified mainly aim to improve its manufacturing performance, but it can also provide guidance for other manufacturing companies. As the study deals with human resources being one of the most important production management resources today, it can be thought-provoking, developing, and forward-pointing for other companies as well. The study also presents new approaches of human resources and management in our era.

### **3.2 The method of research**

My study relies first of all on the literature, which demonstrates the essential role of production management in achieving performance of a productive company. The literature emphasizes the principles of human resource management in our era, highlights its new status and the impacts of the human resources on the company's performance. The study is also based on primary research with employees in the production area.

### **3.3 Determination of the problem**

As mentioned above, the mother company made a significant investment in the Hungarian subsidiary. The investment and development also indicate the significance and the key role of the Hungarian subsidiary in the whole company's organization. It also shows that the mother company has big plans for its Hungarian subsidiary as a continuation of this amazing American dream. The Hungarian factory produces unique, small and medium of production series of finish goods. The production processes are documented for each type of technology and for all types of products. But not everything can be documented. The technologies are non-automated. The human workforce is required to start, conduct and complete the production process. Today without human resources and especially without knowledgeable resources the company does and cannot deliver the production goals. At this company the human resource is the Alfa and Omega of the production processes. Without human resources, the company cannot perform its core business. The production process is strongly human resource dependent. First of all, I note that the unfavorable change started in about 2015 when the Hungarian labor market changed perhaps like never before due to high emigration and the increase of the aging index. The situation of the Hungarian labor market had a strong impact on the human resources of the company with its unprecedented low unemployment rate and with its strong labor hunting nature. In

such labor market environment there is a real struggle for workers with skills and knowledge. The management of the Hungarian subsidiary did not recognize the change therefore did not react to change, at least not with an entrepreneurial spirit. The lack of proper reacting to a change on the labor market is very risky particularly when the production processes are rather human-conducted. The experienced human resources with good process knowledge is needed to react to all production environmental changes which cannot be formulated in the standard operational procedure. On average, four months of intensive learning is required to acquire the basic manufacturing process and the technology operational knowledge. And an average of ten to twelve months of learning by doing is required to deliver a quality manufacturing process. The human resources have a key role in the company's production process. The company's production process depends on human resources, especially on the knowledgeable human resources. Human resources have an impact on the manufactured quantity and on the quality of the manufactured products. All human resources factors create serious constraints in the production process of the company. Therefore losing experienced and knowledgeable workers leads to high risks in achieving the production goals. In the present circumstances, human resource capacity planning is the most critical element of the production management process. It is, thus, very difficult to plan the human resources capacity and, as a result, the production outcome cannot be ensured. The human workforce, being variable, is the most critical resource of production process and it is one of the biggest challenges of the production management. Knowledgeable human resources represent value which has to be recognized by production management. The significance of knowledge of human resources could never be as obvious as today. Perhaps it has now reached its heyday! I can illustrate the current situation of the company with the story of the wandering in the desert. I experienced the moment when the path opened up to the development and growth similarly to the biblical story when the Red Sea opened up in front of the fleeing people. The Hungarian factory has been wandering aimlessly in the desert for several years by now. During this the company has gone through many trials and lost many knowledgeable people. The longer time spent lost in the desert, the higher the loss will be. The sooner the company gets out of desert and reaches its goals, the land of Canaan, the land of its dreams the better.

### **Conclusions**

In my study I examined the production management process of an American multinational food packaging producer. The mother company made significant investments both in terms of technological upgrading and number of technology in the Hungarian plant. Based on its market forecasts and the previous results of the Hungarian company, the mother company decided to give the Hungarian subsidiary a key position in its Supply Chain. The performance of the Hungarian company has deteriorated dramatically over the past years and is currently producing with half of its capacity. During my research I have found that the



human resource is the Alfa and the Omega of the production processes. Without knowledgeable human resources the company cannot perform its core business. I also found that the changes in the Hungarian labor market unexpectedly shook the company and caused serious damage in its performance. I found, furthermore, that knowledgeable human resource is one of the most valuable resources of our times. The knowledgeable workers are the new capitalist of our times! Today we live in the era of knowledge boom. Knowledge has reached its heyday. Human resources management should be in the focus of all companies especially where the processes are heavily human resource dependent. I have two recommendations for the company. I propose the company to build a local knowledge-based economy in order to increase productivity, to create the inimitable competitive advantages and to improve the production performance. I also recommend the company to consider the new wave managerial approach of making people capable of achieving performance and of making their strengths more efficient and their weakness irrelevant. I strongly believe that in this way the company can reach the goals and can soon get out of the desert and reach the land of Canaan, and continue to be the part of this remarkable American dream.

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